

CALIFORNIA TAX CREDIT ALLOCATION COMMITTEE

Project Staff Report

2019 First Round

June 12, 2019

Sutter Village Apartments, located at 1200 Gray Avenue in Yuba City, requested and is being recommended for a reservation of \$1,271,894 in annual federal tax credits and \$4,352,843 in total state tax credits to finance the acquisition and rehabilitation of 73 units of housing serving tenants with rents affordable to households earning 30-60% of area median income (AMI). The project will be developed by Highland Companies and is located in Senate District 4 and Assembly District 3.

The project is currently at-risk, but is being recommended for a reservation of tax credits that will be preserve affordability for an additional 55 years. The project will be receiving rental assistance in the form of a HUD Section 8 Project-based Contract.

Project Number	CA-19-027
Project Name	Sutter Village Apartments
Site Address:	1200 Gray Avenue
	Yuba City, CA 95991
	County: Sutter
Census Tract:	501.020

Tax Credit Amounts	Federal/Annual	State/Total *
Requested:	\$1,271,894	\$4,352,843
Recommended:	\$1,271,894	\$4,352,843

* The applicant made an irrevocable election to sell (Certificate) all or any portion of the state credits.

Applicant Information

Applicant:	NHC MGP I LLC
Contact:	Paul Patierno/Meghan Birnkrant
Address:	701 S. Myrtle Avenue
	Monrovia, CA 91016
Phone:	(626) 698-6357
Email:	p.patierno@highlandcompanies.com
General Partner(s) / Principal Owner(s):	SUV GP LLC
	NHC MGP I LLC
General Partner Type:	Joint Venture
Parent Company(ies):	Highland Companies
	National Housing Corporation
Developer:	Highland Companies
Investor/Consultant:	Boston Financial Investment Mgmt
Management Agent(s):	AWI Management

Project Information

Construction Type:	Acquisition & Rehabilitation
Total # Residential Buildings:	1
Total # of Units:	74
No. & % of Tax Credit Units:	73 100%
Federal Set-Aside Elected:	40%/60%
Federal Subsidy:	HUD Section 8 Project-based Contract (73 units - 100%)

Information

Set-Aside:	At-Risk
Housing Type:	At-Risk
Geographic Area:	Capital Region
TCAC Project Analyst:	Tiffani Negrete

55-Year Use / Affordability

Aggregate Targeting Number of Units	Percentage of Affordable Units
At or Below 30% AMI:	8 10%
At or Below 40% AMI:	15 20%
At or Below 50% AMI:	22 30%
At or Below 60% AMI:	28 35%

Unit Mix

74 1-Bedroom Units
74 Total Units

Unit Type & Number	2018 Rents Targeted % of Area Median Income	2018 Rents Actual % of Area Median Income	Proposed Rent (including utilities)
8 1 Bedroom	30%	30%	\$337
15 1 Bedroom	40%	40%	\$450
22 1 Bedroom	50%	50%	\$562
28 1 Bedroom	60%	60%	\$675
1 1 Bedroom	Manager's Unit	Manager's Unit	\$0

Project Cost Summary at Application

Land and Acquisition	\$11,500,000
Construction Costs	\$0
Rehabilitation Costs	\$8,982,120
Construction Contingency	\$777,000
Relocation	\$25,000
Architectural/Engineering	\$170,000
Const. Interest, Perm. Financing	\$531,460
Legal Fees	\$215,000
Reserves	\$496,400
Other Costs	\$179,277
Developer Fee	\$2,000,000
Commercial Costs	\$0
Total	\$24,876,257

Residential

Construction Cost Per Square Foot:	\$159
Per Unit Cost:	\$336,166
True Cash Per Unit Cost*:	\$322,972

Construction Financing

Source	Amount
Citibank, N.A.	\$10,750,000
Operating Income	\$349,292
Tax Credit Equity	\$11,285,815

Permanent Financing

Source	Amount
Citibank, N.A.	\$7,250,000
Operating Income	\$349,292
Deferred Developer Fee	\$976,331
Tax Credit Equity	\$16,300,634
TOTAL	\$24,876,257

*Less Donated Land, Fee Waivers, Seller Carryback Loans, and Deferred Developer Fee

Determination of Credit Amount(s)

Requested Eligible Basis (Rehabilitation):	\$12,056,891
130% High Cost Adjustment:	No
Requested Eligible Basis (Acquisition):	\$5,659,819
Applicable Fraction:	100.00%
Qualified Basis (Rehabilitation):	\$12,056,891
Applicable Rate:	9.00%
Qualified Basis (Acquisition):	\$5,659,819
Applicable Rate:	3.30%
Maximum Annual Federal Credit, Rehabilitation:	\$1,085,120
Maximum Annual Federal Credit, Acquisition:	\$186,774
Total Maximum Annual Federal Credit:	\$1,271,894
Total State Credit:	\$4,352,843
Approved Developer Fee in Project Cost:	\$2,000,000
Approved Developer Fee in Eligible Basis:	\$1,400,000
Investor/Consultant:	Boston Financial Investment Mgmt
Federal Tax Credit Factor:	\$0.95990
State Tax Credit Factor:	\$0.94000

The “as if vacant” land value and the existing improvement value established at application, as well as the eligible basis amount derived from those values, shall not increase during all subsequent reviews including the placed in service review, for the purpose of determining the final award of Tax Credits, unless a waiver has been granted for a purchase price not to exceed the sum of third party debt that will be assumed or paid off. The sum of the third party debt encumbering the property may increase during subsequent reviews to reflect the actual amount.

Eligible Basis and Basis Limit

Requested Unadjusted Eligible Basis:	\$17,716,710
Actual Eligible Basis:	\$22,824,891
Unadjusted Threshold Basis Limit:	\$17,716,710
Total Adjusted Threshold Basis Limit:	\$17,716,710

Adjustments to Basis Limit: None

Tie-Breaker Information

First:

At-Risk

Final:

29.329%**Cost Analysis and Line Item Review**

Staff analysis of project costs to determine reasonableness found all fees to be within TCAC's underwriting guidelines and TCAC limitations. Annual operating expenses meet or exceed the minimum operating expenses established in the Regulations, and the project pro forma shows a positive cash flow from year one. Staff has calculated federal tax credits based on 9.0% of the qualified basis, or, in the case of acquisition credit or credit combined with federal subsidies, 3.30%. Applicants are cautioned to consider the expected federal rate when negotiating with investors. TCAC's financial evaluation at project completion will determine the final allocation.

Significant Information / Additional Conditions

At place-in-service, any units not occupied by income-qualified tenants will be not considered tax credit units and the applicable fraction will be adjusted accordingly.

Resyndication and Resyndication Transfer Event: None**Legal Status**

Staff has reviewed the Applicant's responses to the questions contained in the Legal Status portion of the Application. No information was disclosed that raised any question regarding the financial viability or legal integrity of the applicant.

Local Reviewing Agency

The Local Reviewing Agency has not yet completed a site review of this project. Any negative comments in the LRA report will cause this staff report to be revised to reflect such comments.

Standard Conditions

The applicant must submit all documentation required for a Carryover Allocation and any Readiness to Proceed Requirements elected. Failure to provide the documentation at the time required may result in rescission of the Credit reservation and cancellation of a carryover allocation.

TCAC makes the preliminary reservation only for the project specified above in the form presented, and involving the parties referred to in the application. No changes in the development team or the project as presented will be permitted without the express approval of TCAC.

The applicant must pay TCAC a performance deposit and allocation fee calculated in accordance with regulation. Additionally, TCAC requires the project owner to pay a monitoring fee before issuance of tax forms.

As project costs are preliminary estimates only, staff recommends that a reservation be made in the amount of federal credit and state credit shown above on condition that the final project costs be supported by itemized lender approved costs and certified costs after the buildings are placed in service.

All unexpended funds in reserve accounts established for the project must remain with the project to be used for the benefit of the property and/or its residents, except for the portion of any accounts funded with deferred developer fees.

All fees charged to the project must be within TCAC limitations. Fees in excess of these limitations will not be considered when determining the amount of credit when the project is placed-in-service.

The applicant/owner shall be subject to underwriting criteria set forth in Section 10327 of the regulations through the final feasibility analysis performed by TCAC at placed-in-service.

Credit awards are contingent upon applicant's acceptance of any revised total project cost, qualified basis and tax credit amount determined by TCAC in its final feasibility analysis.

The applicant must ensure the project meets all Additional Threshold Requirements of the proposed project. If points were awarded for service amenities, the applicant will be required to provide such amenity or amenities identified in the application, for a minimum period of fifteen years and at no cost to the tenants. Applicants that received points for sustainable building methods (energy efficiency) must submit the certification required by Section 10325(c)(5) at project completion. Applicants that received increases (exceptions to limits) in the threshold basis limit under Section 10327(c)(5) must submit the certification required by Section 10322(i)(2) at project completion.

Points System	Max. Possible Points	Requested Points	Points Awarded
Owner / Management Characteristics	9	9	9
General Partner Experience	6	6	6
Management Experience	3	3	3
Housing Needs	10	10	10
Site Amenities	15	24	15
Within ¼ mile of transit, service every 30 min, 25 units/acre density	7	7	7
Within ½ mile of public park or community center open to general public	3	3	3
Within 1 mile of public library	2	2	2
Within ½ mile of a full-scale grocery/supermarket of at least 25,000 sf	5	5	5
Within 1 mile of medical clinic or hospital	2	2	0
Within ½ mile of a pharmacy	2	2	2
Service Amenities	10	10	10
LARGE FAMILY, SENIOR, AT-RISK HOUSING TYPES			
Adult ed/health & wellness/skill bldg classes, min. 84 hrs/yr instruction	7	7	7
Health & wellness services and programs, minimum 60 hrs per 100 bdrms	3	3	3
Sustainable Building Methods	5	5	5
REHABILITATION			
Rehabilitate to improve energy efficiency (change in HERS II rating): 20.0%	5	5	5
Lowest Income	52	52	52
Basic Targeting	50	50	50
Deeper Targeting – at least 10% of Low Income Units @ 30% AMI or less	2	2	2
Readiness to Proceed	10	10	10
Miscellaneous Federal and State Policies	2	2	2
State Credit Substitution	2	2	2
Total Points	113	113	113

Please Note: If more than the maximum Site Amenity points were requested, not all amenities may have

DO NOT RELY ON SCORING IN THIS COMPETITIVE CYCLE FOR FUTURE APPLICATIONS.